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# THE AGRICULTURAL SITUATION

SEPTEMBER 1944

*A Brief Summary of Economic Conditions*

Issued Monthly by the Bureau of Agricultural Economics, United States Department of Agriculture

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WITH FOOD PRODUCTION this year now estimated at 5 percent above last year's record output and 38 percent above the average for the five pre-war years of 1935-39—a remarkable achievement by American farmers—civilian food supply prospects are reasonably good for the balance of 1944 and early 1945. In fact, per capita civilian food consumption for all of 1944 will be a little more than in 1943 and 7 percent above the 1935-39 average. \* \* \* Upturns in livestock prices, especially hogs, more than offset declines in crop prices and raised the mid-August index of prices received by farmers to 193 percent of the 1909-14 average, making it the highest August level since 1920. Considerably higher hog prices together with unchanged corn prices brought the hog-corn ratio from 10.9 in mid-July to 11.5 in mid-August. \* \* \* Agriculture Secretary Wickard, War Food Administrator Jones, BAE Chief Tolley and many other farm leaders look for a continuation of a high level of agricultural output after the war PROVIDED we have full employment. Tolley believes that farm thinking “should lead to an absolute insistence on full industrial employment” to assure a good demand for the products of agriculture and avoid the stop and go production of the past.

# Commodity Reviews

## FOOD SUPPLIES

THE OVER-ALL civilian food situation will be comparatively good for the rest of 1944. Civilian supplies of most foods have been quite liberal all spring and summer, but butter, evaporated milk, pork, and citrus fruits are now becoming less plentiful. Pork and citrus fruits will increase seasonally later in the year. Considerably less butter and other manufactured dairy products, lamb, canned fruits and vegetables, and less of the better grades of beef will be available during the next few months than would be consumed if civilian purchases were not limited under rationing. However, available supplies of these foods, except the better grades of beef, are not expected to be much below those of the last few months of 1943. Fresh fruits and perhaps fresh vegetables will be more plentiful than last year.

Comparison of the estimated per capita consumption of the various foods in 1944 with that in 1943 reveals that civilians are consuming a little less poultry, canned fruits, and vegetables; about the same quantities of eggs, food fats and oils, dairy products, and grain products; more meats, fresh fruits and vegetables, than they did in 1943.

Civilian per capita meat supplies for the last half of 1944 may be somewhat below the rate of consumption in the first 6 months. The expected reduction in meat supplies for the rest of 1944 will result from a small reduction in meat production and increased noncivilian takings.

Supplies of most dairy products will also be less in coming months as production decreases seasonally. There will be less butter for civilians in the July-September quarter and perhaps still less in the last quarter of 1944. A relatively good supply of other fats and oils will be available for the rest of 1944.

Poultry supplies probably will be seasonally large in the next few months, much above average but somewhat below the very high level reached in the corresponding months of 1943. Egg supplies will also be above normal, but they will be reduced from the abundance of the past few months by greater than seasonal decreases in production.

While the supply of fresh fruit and vegetables during the coming months will be fairly large, the supply of canned goods for civilian consumption in 1944-45 may be little less than in 1943-44 because of increased non-civilian requirements in spite of a larger pack. However, the civilian consumption of commercially produced and canned fruits and vegetables will be supplemented by town and city garden produce together with home-canned supplies.

Utilization of wheat for food, seed, and industrial alcohol is expected to be

**Civilian Consumption of Principal Foods,  
Calendar Years, 1935-39 Average,  
1943 and 1944**

Food item	Consumption per capita in pounds		
	1935-39 average	1943	1944 preliminary
Red meats.....	126	137	143
Poultry meats.....	21	31	27
Eggs <sup>1</sup> .....	298	343	345
Fluid milk and cream.....	340	403	411
Cheese.....	5.5	5.1	4.9
Butter.....	16.7	11.9	12.0
Fats and oils <sup>2</sup> .....	31	34	34
Fresh fruits.....	138	119	143
Processed fruits <sup>3</sup> .....	25	24	24
Fresh vegetables.....	235	233	248
Processed vegetables <sup>3</sup> .....	32	32	32
Potatoes and sweet- potatoes <sup>4</sup> .....	154	161	140
Sugar.....	97	80	81
Corn products.....	39	44	43
Wheat flour.....	154	159	160
Coffee.....	14	13	16
Tea.....	.7	.5	.6
Cocoa.....	4.4	2.9	3.5

<sup>1</sup> Numbers, not pounds.

<sup>2</sup> Excludes butter.

<sup>3</sup> Pack year.

<sup>4</sup> July 1 year for potatoes, crop year for sweet-potatoes.

about the same as in the year just past. Sufficient quantities of rye and rice will be available for food use in 1944-45.

## COTTON

THE 1944 cotton production, according to the August cotton report, is estimated at slightly more than 11 million bales, compared with about 11.4 million bales in 1943. This production will be from the smallest harvested acreage since 1895. But yields are unusually good this year, being 10 pounds per acre more than last year and 37 pounds more than the 1933-42 average.

With a carry-over of about 10.6 million bales on August 1 added to this year's production, the supply for the 1944-45 season is now indicated to be about 21.4 million bales of domestic cotton compared with about 21.8 million bales for the 1943-44 season.

On the basis of average consumption during the season just past, the 1944-45 indicated supply represents about 26 months' domestic consumption, 6 months' more supply than last season. This increase is entirely attributable to the decline in domestic consumption last season because this season's supply is actually smaller.

Domestic consumption of all kinds of cotton last season totaled only 9,942,070 bales, and while it was well over the pre-war high of nearly 8 million bales it was 11 percent under the 11,170, 106-bale record established in 1941-42.

During the first 29 days of August, the 10-market price of Middling  $1\frac{5}{8}$ -inch cotton averaged 21.40 cents per pound. This was nearly  $\frac{1}{4}$  cent lower than the average for July and nearly one cent higher than during August, 1943.

## TOBACCO

IN GENERAL the tobacco outlook for at least another year or so is favorable, in view of the continued strong demand for leaf tobacco and

the high level of consumption of tobacco products, particularly cigarettes. Inasmuch as tobacco is habit-forming and the trend in per capita consumption is upward the all-time consumption record established last year has marked significance for the future of the industry.

Stocks of aged tobacco held in this country and Britain are below normal in relation to demand, while there is probably little if any United States grown leaf on the European continent and in the Far East. In view of the depleted stocks and probable post-war demand, exports during the years immediately following the war should be large, but the exact level will depend on a number of factors such as the nature and extent of relief given Allied and friendly nations, international monetary and credit policies, trade agreements, and the extent of the preferences given British Empire grown tobacco.

Present prospects point to a 1944 domestic crop of 1,616 million pounds, compared with 1,399 in 1943 and a 10-year average (1933-42) of 1,389 million. This year's flue-cured crop is now placed at 984 million pounds, second only to 1939 when 1,171 million pounds were produced. This year's burley crop is expected to be 402 million pounds compared with 390 last year.

The season average price paid growers for flue-cured on the Georgia and Florida markets was 36 cents per pound, compared with the established ceiling price of 39 cents for untied tobacco. The average price for untied tobacco (types 11-13) sold so far this season is slightly below the 1944 ceiling of 43½ cents. Most of the 1943 crop of Maryland has been sold at an average of 46 cents compared with 56 cents last year.

## WOOL

SHORN WOOL production in 1944 is estimated at 355 million pounds, compared with 384 million pounds



## Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid, interest and taxes	Parity ratio <sup>1</sup>
<b>1943</b>			
January.....	181	156	116
February.....	184	158	116
March.....	192	159	121
April.....	197	160	123
May.....	194	162	120
June.....	195	163	120
July.....	193	164	118
August.....	192	164	117
September.....	193	164	118
October.....	194	165	118
November.....	194	166	117
December.....	196	167	117
<b>1944</b>			
January.....	196	168	117
February.....	195	169	115
March.....	196	169	116
April.....	196	169	116
May.....	194	169	115
June.....	193	170	114
July.....	192	170	113
August.....	193	170	114

<sup>1</sup> Ratio of prices received by farmers to prices paid, interest, and taxes.

last year, and a 1938-42 average of 376 million pounds. The year's clip is expected to be the smallest since 1936.

Because of the smaller production, farm income from shorn wool will be materially below last year's record income of 160 million dollars. The average price paid to growers this year will probably not differ much from the 1943 average of 41.6 cents a pound. Prices in mid-August 1944 averaged 41.7 cents a pound, compared with 40.9 cents a year earlier.

Production in the Western Range Sheep States, consisting of the 11 Western States, Texas, and South Dakota, is estimated at 257 million pounds, a decrease of 17 million pounds from 1943. Wool production was smaller than last year in each of these States except Texas.

In the "native" or "fleece" wool States, which include the North and South Central States (except Texas and South Dakota), and the North and South Atlantic States, the estimated production this year is 98 million pounds, compared with 110 million pounds last year.

## DAIRY PRODUCTS

**M**ILK production on farms for the first 7 months of this year totaled 73.3 billion pounds, about the same as last year. Although production for the rest of the year is expected to be about the same as in 1943, some shifts in utilization probably will take place with more milk going into American cheddar cheese, evaporated milk, and dried whole milk production, and less in butter. Marketings of fluid milk, fluid cream, and milk byproducts probably will not change much from the previous year.

Prices received by farmers in mid-August for milk sold at wholesale and butterfat were 6 cents and  $\frac{3}{4}$  cent, respectively, above that of the previous August. The dairy production payments accompanying these prices received by farmers and returns to dairy farms were at the highest mid-August level since 1919. It is expected that such returns will continue at relatively high levels.

According to a report based on returns from 140 thousand farmers, estimates show that milk cow numbers increased 2 percent from mid-1943 to mid-1944. More than average increases were reported for the North Atlantic and North Central States, while little change was noted in the area west of the Mississippi River. The number of heifer calves being saved for milk cows appeared to be the smallest number since 1940. The decline in the number of heifer calves saved compared with a year ago was general over the entire country.

## POULTRY AND EGGS

**D**ESPITE a 1944 turkey production of 35 million birds, or 500 million pounds dressed weight, 7 to 10 percent above the 1943 output, civilian supplies are expected to be a little less than last year because of increased military requirements. Under War Food Order 106, effective July 17, all turkeys produced and marketed in

designated areas must be set aside until military requirements are met. Potential civilian demand will probably exceed available supplies, with prices expected to remain at ceiling levels.

Chicken marketings for civilian consumption are now seasonally large but by the end of the year civilian supplies will be smaller than they were in 1943. This coupled with smaller fall and winter civilian supplies of red meats than a year earlier is likely to result in a strong demand for poultry, with dressed poultry prices at or close to ceilings. However, manpower and transportation difficulties may cause a decline in poultry prices below ceiling levels in some areas from time to time.

Largest cold-storage holdings of shell eggs on August 1 since 1930 will probably make available for civilians ample supplies of grade B and C eggs for the balance of the year. However, during the next four months egg production might be smaller than last year. High consumer incomes will stimulate a strong demand for top

grade eggs<sup>1</sup> which will keep prices for these eggs at or near ceiling levels and near or above parity levels.

## LIVESTOCK

THE August 1 number of cattle on feed in 11 Corn Belt States was down 41 percent from a year earlier—an estimated 700,000 fewer—the smallest number on feed on that date since 1937. Cattle feeders reported 42 percent fewer cattle than a year earlier that had been grain fed for over 7 months. Marketings of fed cattle in this area in August–October may not be over 50 percent as large as marketings in the same period last year.

Shipments of stocker and feeder cattle to the Corn Belt during the first 5 months of this year were 31 percent smaller than in the same period of 1943. However, during June and July shipments were up 45 percent from the same period last year. Relatively more favorable feeding

## Prices of Farm Products

Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. A average of reports covering the United States weighted according to relative importance of district and State

	5-year average		Aug. 1943	July 1944	Aug. 1944	Parity price Aug. 1944
	August 1909–July 1914	January 1935–De- cember 1939				
Wheat (bushel).....dollars..	0.884	0.837	1.27	1.39	1.35	1.50
Corn (bushel).....do.....	.642	.691	1.09	1.17	1.17	1.09
Oats (bushel).....do.....	.399	.340	.652	.764	.708	.678
Rice (bushel).....do.....	.813	.742	<sup>1</sup> 1.64	1.75	1.71	1.38
Cotton (pound).....cents..	12.4	10.29	19.81	20.32	20.15	21.08
Potatoes (bushel).....dollars..	.697	.717	<sup>1</sup> 1.57	1.38	1.59	1.23
Hay (ton).....do.....	11.87	8.87	12.20	13.90	14.30	20.20
Soybeans (bushel).....do.....	2.96	.954	1.68	1.91	1.90	<sup>3</sup> 1.63
Peanuts (pound).....cents..	4.8	3.55	7.17	7.75	7.64	8.16
Apples (bushel).....dollars..	.96	.90	2.16	2.63	2.12	1.63
Oranges, on tree, per box.....	<sup>4</sup> 1.81	1.11	2.75	2.94	3.01	<sup>3</sup> 1.99
Hogs (hundredweight).....do.....	7.27	8.38	13.70	12.70	13.50	12.40
Beef cattle (hundredweight).....do.....	5.42	6.56	<sup>1</sup> 12.00	11.70	11.70	9.21
Veal calves (hundredweight).....do.....	6.75	7.80	<sup>1</sup> 13.60	13.00	12.90	11.50
Lambs (hundredweight).....do.....	5.88	7.79	12.80	12.70	12.30	10.00
Butterfat (pound) <sup>5</sup> .....cents..	26.3	29.1	49.8	50.2	50.2	<sup>6</sup> 42.5
Milk, wholesale (100 pounds) <sup>5</sup> .....dollars..	1.60	1.81	<sup>1</sup> 3.16	3.15	<sup>7</sup> 3.22	2.67
Chickens (pounds).....cents..	11.4	14.9	25.6	24.2	24.1	19.4
Eggs (dozen).....do.....	21.5	21.7	38.8	31.2	33.6	<sup>6</sup> 36.2
Wool (pound).....do.....	18.3	23.8	<sup>1</sup> 40.9	42.7	41.7	31.1

<sup>1</sup> Revised.

<sup>2</sup> Comparable base price, August 1909–July 1914.

<sup>3</sup> Comparable price computed under sec. 3 (b) Price Control Act.

<sup>4</sup> Comparable base price, August 1919–July 1929.

<sup>5</sup> Does not include dairy production payments made directly to farmers by county A. A. A. Office.

<sup>6</sup> Adjusted for seasonality.

<sup>7</sup> Preliminary.

margins this summer than average have fostered the movement of cattle to feed lots, and if these favorable margins continue, the cattle-price situation will favor cattle feeding this fall. With the prospect for fewer fed cattle to be marketed before the end of the year, prices for fed cattle are expected to continue at a high level. With larger marketings of grass cattle this fall than last in prospect, prices for feeder cattle will probably continue lower than last year.

Calf slaughter continues at a very high level. July slaughter in federally inspected plants was an all-time record for the month, exceeding that of last July by 90 percent in comparable plants and in July 1934, the previous record, by 9 percent. A large slaughter this year reflects the saving of fewer dairy and beef calves for herd replacements and the limited outlet of calves for feeding because of high feed costs and uncertainties as to the long-time price outlook for cattle.

Pork production in October-December may be as much as 20 percent smaller than in the same period a year earlier, and as much as 15 percent smaller than in the first quarter of 1944, when production was at an all-time high. WFA pork purchases are expected to be large this fall and early winter. With a continuing strong demand for pork and a lower pork output, hog prices may be higher this winter than last.

## FEED

**T**HE prospective 1944-45 supply of the principal feed grains (corn, oats, barley and grain sorghums) as indicated on August 1, is estimated to be about 6 percent smaller than in 1943-44, but slightly larger than the 1938-42 average supply. With a prospective 13 to 15 percent decrease in grain-consuming animals on farms next January 1 from a year earlier, the supply of feed grains per animal unit for the 1944-45 feeding year

would be about 8 to 10 percent larger than in 1943-44, and only about 5 percent smaller than the average for 1938-42, when feed grain reserves were being accumulated.

On the basis of August 1 conditions, locally produced feed grain supplies for 1944-45 in the North Atlantic States will be larger than a year earlier. In the North Central and Southern States locally produced feed grain supplies for 1944-45 probably will be smaller than a year earlier, but in the Western States about the same as a year earlier.

Hay supplies are larger in the Western States this year compared with 1943, but smaller in other regions of the country.

Generally speaking, weather conditions were very favorable in most of the area West of the Mississippi River during the first half of 1944 and feed production in that area has been favorable. East of the Mississippi, however, rather large areas experienced drought or near-drought conditions during much of the growing season.

Prospective 1944-45 supplies of byproduct feeds for livestock are tentatively estimated to be slightly smaller than in 1943-44. Production of oilseed meals may be about 10 percent smaller than the record 1943-44 production. Greater production during 1944-45 than a year earlier is expected in wheat millfeeds, brewers' and distillers' dried grains, and alfalfa meal. Although the total supply of by product feeds may be slightly smaller in volume, it probably will be larger per animal unit on farms next January 1 than a year earlier as a result of the decrease in livestock numbers on farms this year.

## WHEAT

**T**OTAL wheat disappearance in 1944-45 may be about equal to the year's record high crop of 1,132 million bushels. This is less than the



1943-44 disappearance of 1,290 million bushels, but greatly above the 720 million-bushel average in the ten-year period before the war (1932-41). On the basis of present prospects, the distribution may be as follows, in million bushels: food 550, feed 250 (dependent upon the outcome of corn crop), industrial (mostly alcohol) 125, seed 80, and exports (including supplies to liberated areas) 125 (dependent upon progress of the war).

If the size of the disappearance is approximately that of the crop, the carry-over at the end of the year would be about the same as the 315 million bushels at the beginning. The carry-over in 1932-41 averaged 235 million bushels, in 1942 it was 632 million and in 1943, 622 million.

Wheat prices in mid-August were generally at or close to the level at which the Commodity Credit Corporation is purchasing, and about 15 cents under present wheat price ceilings. Ordinarily the seasonal low is reached about this time of the year, and were it not for the Commodity Credit Corporation purchase program, prices would undoubtedly be lower. As it is, prices are at about the purchase program price level in Kansas City, Minneapolis, and Portland. The price of No. 2 Red at St. Louis is slightly above the purchase level.

After the harvest movement is over, the heavy demand for nonfood as well as food uses is expected to be an important price-strengthening factor. Also, large quantities are expected to be held off the market under the loan program.

## VEGETABLES

**A**MPLE supplies of commercial vegetables for the fresh market are in prospect for later summer and early fall, with summer truck crop production indicated to be about one-fifth greater than in 1943 and one-seventh above the 1933-42 average.

Combined production of early fall crops of domestic cabbage, celery and tomatoes and fall carrots was expected to exceed that of 1943 by one-tenth and the average by one-fourth. Continuation of the hot, dry weather prevailing over much of the eastern half of the country will, of course, reduce present prospects.

Particularly heavy supplies of late summer onions which provide storage supplies for winter and early spring consumption are indicated. Acreage this year is the largest of record, with exceptionally good yields in prospect. Substantial increases over last year are expected in the production of summer crops of green peas, lettuce, cucumbers, green peppers and celery, with moderate increases in eggplant, cabbage and cauliflower. Prospective supplies of melons (cantaloups, honeydews and watermelons) are nearly one-third larger than last year, but just slightly above average. Lima beans and spinach prospects are at approximately the 1943 level.

On the other hand, there is likely to be a moderate reduction from last year in summer snap beans, beets, tomatoes and sweet corn and a greater reduction for summer carrots.

Fall crops of cabbage and celery are expected to be larger than last year and also above average. Fall tomatoes and carrots will be in shorter supply this year than last, but should be well above average.

Prospective Irish potato production at 385,295,000 bushels is about one-sixth less than the large 1943 crop but 6 percent above average. The crop in the intermediate States is extremely short because of adverse growing conditions. In the 30 late States, both acreage and yield per acre are below last year but above average. In the early States, harvesting is virtually completed. The indicated sweet potato crop is 65,253,000 bushels—10 percent less than in 1943 and 3 percent below average. Both acreage and indicated per-acre yields are below last year and average.

## FARM LABOR

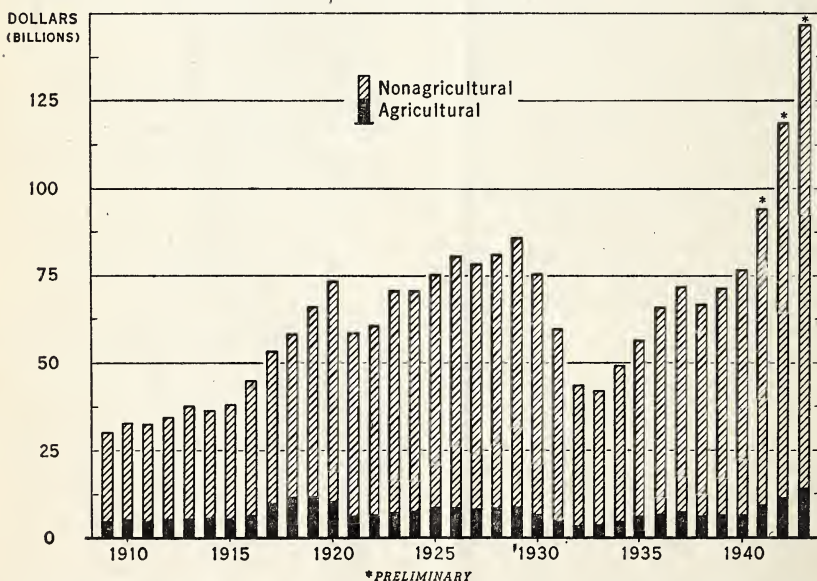
**F**EWER persons were engaged in farm work on August 1 than on that date during any of the past 20 years for which there are estimates. Nevertheless, this year's near-record crops will be harvested without any appreciable loss. Many local areas doubtless will continue to experience difficulty in obtaining an adequate labor supply but for the country as a whole the situation does not appear unfavorable.

Total farm employment in the United States on August 1 was estimated at 10,608,000 persons—4 percent below a year earlier and 6 percent smaller than the 5-year (1935-39) average for that date. Much of the decrease in the total farm employment is the result of a diminishing number of hired workers on farms. The number of hired workers this August was down 268,000 or 9 percent from last August, while family workers dropped only 144,000 or 2 percent.

The customary farm labor supply has been supplemented somewhat during the harvest season with Mexicans, Jamaicans, Bahamians, Newfoundlanders, and Japanese evacuees, also students and city people who in some cases have given up their vacations to help the Nation's farmers.

The usual early August lull in farm activities occurred in areas where the small grains have been harvested. This year, weather conditions in July were generally quite favorable for small grain harvest, haying and late cultivation of row crops, and farmers were taking advantage of it to get caught up in their work. By August 1, the harvest of the second largest winter wheat crop was approaching completion and a good start had been made on the harvesting of spring wheat. Picking of early tree fruits, canberries, and summer vegetables was in full swing in most areas.

## NATIONAL INCOME: AGRICULTURAL AND NONAGRICULTURAL, 1909-43



# Agricultural Prices: A Look Ahead

**A**N analysis of agricultural prices during the transition years following the German collapse is no simple task. There are, as a matter of fact, some differences among observers as to the forces which will operate and even greater differences as to the alternative policies which should be followed.

Some believe that farm prices will continue to be determined in large part by Government action, that the assurances contained in the Act approved October 2, 1942 should take care of farm prices for two years after the end of the war, and that it is very doubtful if such assurances will even then be dropped. Some, however, have small faith in conscious efforts in the field of economic management, while others are worried about the effect of parity standards and control devices on foreign trade as well as on the wise use of resources within the United States itself.

## Price Support Commitments

Farmers have already received assurance of substantial aid in supporting prices under the so-called "Steagall Amendment" and the Agricultural Adjustment Act of 1938, as amended by the Act approved October 2, 1942.

That is, the Congress has directed the Secretary of Agriculture or the War Food Administrator to support prices for the basic agricultural commodities—corn, cotton, wheat, rice, tobacco, and peanuts (for nuts)—and of commodities for which substantial increases in production have been formally requested—soybeans, flaxseed, and peanuts for oil, potatoes and sweet-potatoes (when properly cured), American-Egyptian cotton, hogs, eggs, chickens (excluding chickens weighing less than three pounds and all broilers), turkeys, and milk and butterfat—at not less than 90 percent of parity (or in case of the feed crops, 85 percent, and cotton, 92.5 percent) for two years from the January 1 following the date on which the President or the Congress

shall have proclaimed hostilities to have ended.

This is a far more difficult assignment than anything contemplated in the Agricultural Marketing Act of 1929 or the Agricultural Adjustment Act of 1933. But the commodities covered only account for about 65 percent of the cash farm income because fruits, vegetables, beef cattle and veal calves, sheep and lambs, and wool are not covered. Questions will, of course, be raised relative to these and other commodities, and the Congress has also directed that so far as possible such commodities shall also be supported at a fair parity relationship.

## Price Support Provisos

Can these prices be supported? The answer should, of course, be conditioned: Such prices can be maintained *provided*, adequate funds are at hand, *provided*, means of storing and disposing of substantial quantities of each of the commodities are worked out, and *provided*, production is not forced or maintained too far out of line with the effective demand.

Perhaps the foreign shipment of food to meet relief and reconstruction needs will be sufficient to clear the market during the conversion or transition period. Perhaps not. But means can be found to support prices and to carry stocks of some commodities over a considerable period, and the actual existence of excess or surplus commodities also forces a continuing search for new or more acceptable means of disposal.

There is, of course, the question of funds: it will be necessary for Congress to provide adequate funds to make the price-support program effective, but on two recent occasions Congress has, in fact, specifically instructed the Secretary of Agriculture or the War Food Administrator to support prices at announced levels.

Annual appropriations equal to 30 percent of the tariff revenues are available for surplus disposal and



similar uses, and agriculture also has some claim on the lend-lease appropriation in case a disaster or insurance fund is needed. However, the use or continuance of these funds will, of course, depend upon the future action of Congress as will the life and financial resources of the chief support agency, the Commodity Credit Corporation.

#### **Four Methods Now Used**

Support activities should be designed to fit the commodity concerned, and four different methods are currently being used.

*First*, there are the non-recourse loans which apply to basic crops and other commodities which are easily stored and marketable in the condition in which they leave the farm. *Second*, there is the direct purchase of commodities from the farmers. Such commodities must be easily stored and this method is now being used for peanuts, soybeans, flaxseed, and wool. *Third*, there is the purchase of graded or processed commodities from dealers or processors provided specified minimum prices are paid to the producers of the raw material. Perishable commodities can be handled by this method which is now being used to support prices for eggs, for hogs, and for vegetables for canning. *Fourth*, supplemental payments to producers are also used as a means of price support. Such payments are now being used to assure returns for milk and butterfat.

All of these except the last are only immediate devices for holding prices to a given level. They do not dispose of the product. Supplemental payments allow the commodity to move forward without delay to consumers at a lower cost than were prices maintained at the support level. There are cases, however, where even this would not assure that the excess supplies will be satisfactorily disposed of.

Agricultural production was over one-fourth and food production almost one-third greater in 1943 than the average for 1935-39. Farmers have

established a new record each year since 1939, and this gain in production can easily be maintained or further increased in the years immediately following the slowing down of the all-out war effort. Yields are increasing as a result of several factors, including conservation activities, the increasing use of fertilizer, and in the case of corn, the use of hybrid seed. Small farms can now be mechanized and a substantial number of horses and mules are still being displaced. A considerable area of new land is still to be brought under cultivation, and given good prices, it would be difficult to estimate the areas now in use which might be more intensively farmed.

The effects of the efforts to control acreage and production under the Agricultural Adjustment Administration have already been argued at length. Control can be obtained in cases where the specific commodity situation becomes sufficiently bad. But the extent to which over-all production can be restricted is doubtful and it seems reasonable to conclude that acreage and similar controls are devices which should only be used as a last resort.

#### **Domestic Market Takes Most**

The greatest consumer of our agricultural commodities is our own domestic market. Civilian consumption currently accounts for about 75 percent of all agricultural commodities used for food and if normal allowances were made for men in the armed forces this would be increased to about 85 percent. Thus, as the armed forces are demobilized, there will be about 15 percent of all our food and substantial quantities of cotton and tobacco for which additional markets must be found.

The first outlet for these additional quantities of food is foreign relief. Food and clothing must be available for relief once France and the rest of Continental Europe have been liberated. Shipping space should be available and there is no doubt but what



substantial quantities of food and other agricultural commodities will be used for foreign relief until the reconstruction task is well started.

Sooner or later, however, this relief demand will be met and farmers may find themselves with greater supplies of some commodities than can be easily sold. Such supplies have already developed in the case of eggs, hogs and some other commodities during 1943-44. If farm prices are to be maintained at what farmers consider a fair level along with full agricultural production, additional markets or socially acceptable means of disposal must be found.

### Many Still Underfed

We were continuously faced with this same problem during the decade from 1930 to 1940, and we are all familiar with some of the devices which were developed. A widespread search for new industrial uses was instituted. The school lunch program was started and the food stamp and other surplus disposal devices were originated. Still other efforts were made to increase the amounts of the surplus commodities going into the foreign market.

A great deal was learned and we started into this decade convinced that a substantial number of consumers were not well fed, nor for that matter well clothed or well housed. Substantial amounts of additional food are needed to raise sub-standard diets to an adequate level and the actual results of full employment indicate that the average consumer is willing to use about 15 percent more food than was used during the several years ending in 1929, or the average for 1935-39.

Satisfactory prices for agricultural commodities can best be assured by full employment. At least this is true for almost all of the food commodities although it is evident that satisfactory prices for cotton and some other commodities, perhaps wheat and lard, will also depend to a considerable extent upon the foreign market.

So far as fair prices are concerned, the discussion centers around the parity standard. Farmers have wanted parity or something like it and, certain critical comment notwithstanding, it seems reasonable to assume that they will continue to demand parity or its equivalent in the years ahead.

A common criticism runs to the effect that there is nothing sacred about the relative level of farm and nonfarm prices during 1909-14. Some would like to maintain the current base as a measure of the general level, while reworking prices for individual commodities on the basis of some recent relationship, and others would like to simply shift the base period forward to 1925-29 or 1935-39. Again, there are others who seem to feel that parity as such should be disregarded and some entirely different approach used.

### Parity Concept a Reasonable Goal

*As an average*, parity prices appear to be a reasonable goal given full employment and consumer incomes at least approaching those which have prevailed since 1942. Some revisions are certainly needed, but the current standard is well established and the best forecast seems to be that parity will be continued into the transition years in about the same form as we now know it.

Some are worried about using such a standard while at the same time endeavoring to move American commodities into the foreign market. A discussion of the need for encouraging foreign trade cannot be entered into here, but this dilemma is as familiar as are the two solutions most commonly advanced. The first is the use of some form of a two-price system while the second involves the use of supplemental payments to assure returns to producers, while at the same time allowing the commodity to move forward at a relatively low cost.

Some of our difficulties could best be solved by full employment. And after

all there will be difficulties enough with almost ten million soldiers and sailors and over ten million war workers who must shift to new fields of employment as the war effort comes to an end. At the same time, farmers feel that their prices should be maintained and likewise workers are not going to be too well satisfied with declining wages after seeing average weekly

earnings almost double between 1935-39 and early 1944. All of these are forces driving toward a common effort to maintain full employment. Agriculture's goal should be "full production and full employment"—full production and fair prices for farmers and full employment and fair wages on the non-farm front.

O. V. WELLS

*Bureau of Agricultural Economics*

## New Food Consumption Index

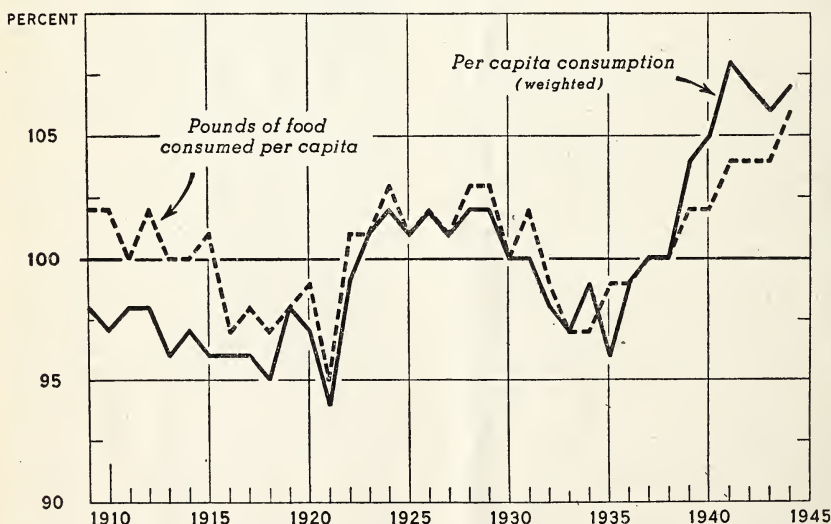
**C**IVILIAN food consumption per capita in 1944 will be 7 percent above the average for the 5 pre-war years, 1935-39, according to preliminary estimates of the Bureau of Agricultural Economics. This estimate makes no allowance for food production in city gardens, which if equal to that estimated for 1943, will bring consumption this year to 8 percent above the pre-war average or the same as the record level established in 1941.

These comparisons are based on the new index of per capita consumption recently released by the Bureau. The new index indicates that there has been a slight upward trend in food consumption since 1909, along with some shift from the cheaper foods to the more expensive varieties, although low points are recorded for 1921 and for the depression years of the early 1930's. See chart below.

The new index is constructed from estimates of the per capita consumption

### PER CAPITA CONSUMPTION OF FOODS\*, 1909-44

INDEX NUMBERS (1935-39=100)



\* AVERAGE FOR TOTAL POPULATION, 1909-40; AVERAGE FOR CIVILIAN POPULATION 1941-44. DATA ON MILITARY CONSUMPTION 1917-19 ARE NOT AVAILABLE.

tion of foods in terms of retail weight, which is the same data currently used by the Bureau of Human Nutrition and Home Economics in analyzing the nutritional value of the average national diet. Quantities of foods consumed per capita each year are weighted by the average retail prices for the base period, 1935-39. Because the same price weights are used for every year, the changes in the index result from changes in the quantities of the several foods consumed.

Although the total number of pounds of food consumed per capita

does not vary greatly from year to year, there have been significant changes in the composition of the diet since 1909. The consumption of fruits, vegetables, and dairy products has increased, while the consumption of grain products and potatoes has declined. These shifts are accompanied by general improvement in the nutritive content of the diet.

The index represents per capita consumption of food for the total population from 1909 through 1940, and for the civilian population since 1941. No adjustment has been made

### Per Capita Food Consumption, by Major Food Groups, 1909-43 <sup>1</sup>

[Index numbers 1935-39 = 100]

Year	Total	Dairy products	Meats, poultry, fish	Eggs	Potatoes, sweet-potatoes	Beans, peas, nuts	Fats and oils	Flour, grain products	Sugar, sirups	Fruits	Vegetables	Coffee, tea, cocoa, spices
1909.....	98	79	119	98	144	64	101	140	81	71	76	73
1910.....	97	80	115	103	145	61	100	141	84	71	72	69
1911.....	98	80	118	110	120	60	103	137	86	79	70	67
1912.....	98	80	113	104	133	60	98	139	83	81	77	79
1913.....	96	82	110	102	135	63	99	136	88	70	74	68
1914.....	97	83	108	99	120	61	101	136	86	85	75	71
1915.....	96	83	104	105	134	63	102	132	84	83	75	79
1916.....	96	84	107	100	111	71	103	135	86	75	72	85
1917.....	96	85	104	94	118	105	96	136	88	75	73	94
1918.....	95	86	109	95	131	97	94	119	87	68	77	86
1919.....	98	86	107	102	120	92	100	128	100	76	77	84
1920.....	97	88	105	100	119	74	93	121	97	84	82	84
1921.....	94	89	103	100	120	74	94	116	94	72	73	84
1922.....	99	92	106	106	121	70	98	119	110	86	77	88
1923.....	101	94	111	110	128	80	106	116	98	84	78	94
1924.....	102	98	111	109	113	93	107	115	108	87	83	89
1925.....	101	100	108	107	109	89	105	114	110	83	82	82
1926.....	102	100	107	114	98	89	104	116	112	97	82	91
1927.....	101	100	105	115	109	99	106	115	111	82	86	88
1928.....	102	100	101	114	115	97	107	117	113	92	84	85
1929.....	102	102	101	112	115	88	107	114	105	89	91	89
1930.....	100	100	100	110	100	84	104	112	115	84	90	87
1931.....	100	97	99	111	104	99	106	110	107	96	90	91
1932.....	98	95	100	104	110	87	106	105	101	80	90	90
1933.....	97	94	104	99	108	78	105	100	102	80	86	92
1934.....	99	93	112	96	108	87	106	100	101	84	88	87
1935.....	96	95	94	93	112	98	95	98	100	95	96	97
1936.....	99	99	102	96	100	98	100	102	102	93	95	100
1937.....	100	101	100	103	96	99	99	100	99	104	101	95
1938.....	100	101	99	103	100	98	100	100	98	96	105	102
1939.....	104	104	104	104	92	107	106	101	101	112	104	106
1940.....	105	105	108	106	96	106	109	100	97	108	103	108
1941.....	108	109	110	104	94	109	106	101	107	110	109	112
1942.....	107	117	109	104	95	121	100	104	100	93	115	91
1943.....	<sup>2</sup> 106	115	111	115	100	123	100	108	89	86	108	87
1944 <sup>3</sup> .....	<sup>2</sup> 107	116	111	115	99	120	102	107	91	95	108	103

<sup>1</sup> Foods grouped according to nutritional categories, with butter excluded from dairy products and included in the fats and oils group.

<sup>2</sup> Production in city victory gardens not included. Including such garden output increases the index to 107 for 1943 and 108 for 1944.

<sup>3</sup> Preliminary.



for military consumption during the period of the first World War, since adequate data on military purchases are not available. However, since military personnel constituted only a small part of the population, adjustments for military consumption would be negligible, and the index should give an accurate measure of per capita changes in civilian consumption between World War I and II.

If it is desired to compare the per capita consumption of food during the present war for the total population, including men and women in the armed forces, with the estimates for the period of the first World War, certain assumptions must be made.

According to the War Department, the average daily consumption of food by military personnel is about  $5\frac{1}{4}$  pounds per capita, compared to about 4 pounds for civilians. But because the foods used by the military are more highly concentrated than those consumed by civilians, these figures tend to underestimate the comparison. Assuming that members of the armed forces consume about one and one-half times as much as the average civilian, the index of per capita consumption for the total population would be 111 as compared with the index for the civilian population of 107 now estimated for 1944.

G. LOIS NELSON

*Bureau of Agricultural Economics*

## Wartime Farming in Britain

BRITAIN'S wartime farm production deserves study, both because of its amazing record and because of its post-war implications. The record is dramatic for three reasons, and can perhaps best be indicated by a comparison with our own great wartime food production achievement here in the United States.

First, Britain's farm output per man, or per acre, was already higher than ours before the war. Second, while we have increased our production enormously during the war, with a total food output last year 32 percent above the 5-year pre-war average, Britain's wartime increase was 70 percent. Third, while British farmers had equal or greater problems of limited labor, machinery, equipment, and transportation, they also had strictly rationed feed for livestock and more rigid controls over every phase of their farming operations, in addition to the bombings, the four years of blackout farming, and the other difficulties of farming under fire.

In terms of people engaged and the value of output, Britain's pre-war agriculture in some years was greater than in any of its Dominions, including Canada. Iowa and Indiana are slightly

larger than Britain, but the value of the production of the 400,000 farms of even these two great farm States was slightly less than that of Britain's 400,000 farms.

British farmers produced more beef than those two States combined—60 percent as much meat, even including pork. British farmers milked more cows, produced more eggs, more sheep and wool, twice as much hay, more wheat, and much more fruit and vegetables.

Pre-war Britain had more cattle than Texas, a cattle country three times its size, and more sheep than Texas and Wyoming combined, producing half as much wool as the whole United States. Britain produced more milk than Wisconsin, our No. 1 dairy State; more vegetables than California, our first vegetable State; more sugar beets than either California or Colorado, our two leading sugar beet States; and twice as many potatoes as Maine and Idaho combined. Then last year she nearly doubled even that potato production, to equal the normal potato output of the whole United States.

Greater yields per acre are a part of the answer. In 1942 the U. S. average wheat yield was near our all-



time peak of about 20 bushels per acre. Our best-yielding wheat State was Washington with an average of 30 bushels per acre. Britain's was 37.

### **50 Percent More Tilled Land**

Starting from that pre-war high level of food production and farming efficiency, Britain has increased its plowed acreage by 50 percent since the war began and its total food production by 70 percent.

The increased plowed acreage and the increased total food output have resulted largely from rigid and comprehensive Government controls. Early in the war, a Government survey covered every field on 300,000 farms and recorded in detail the condition of each farm, its equipment, its crops, its livestock, its possibilities. From that study a farm plan was made for each farmer. Usually the farmer followed instructions. If he refused, the county committee had the authority to operate the land or turn it over to a tenant who would conform.

### **Local Committees Direct Output**

The county committees are appointed by the Minister of Agriculture. They are farmers of the neighborhood and they serve without pay. The income tax rates are so high that a farmer successful enough to qualify as a committeeman is probably already in the excess profit tax bracket, paying 100 percent of his income above a certain level, so that any pay would all be taxed back anyway.

The committeemen direct their neighbors to step up production of certain crops and cut down on others, to apply the proper amounts of fertilizers, to reduce the numbers of beef cattle, hogs, sheep, and poultry, and to increase the number of dairy cattle, all to get the maximum food value from their limited feed supply.

Hog numbers have been reduced by 59 percent of the pre-war numbers, to save feed for more efficient direct human consumption. The hog farmer is required to raise feed according to the number of hogs he keeps. He

must sell a certain percentage of the feed he raises, and he is issued coupons by the county committee for feed supplements and may buy only within his strict ration. He may butcher for his own use only according to the regulations. When his hogs are ready for market he notifies the county committee and sells on the date specified at a specified market at a fixed price.

The dairyman is issued feed coupons and may buy feed for his cows only within the limits of his ration. Before the war British dairymen depended on imported feed from the Continent for much of their total supply. When this was shut off, their adjustments were severe, particularly in view of the increased number of cows. They had to produce more feed and use it more efficiently.

### **Farm Labor Difficulties Severe**

For farm labor the British farmer has relied on women, old men and children, war prisoners, and long hours for himself and family. On many large dairy farms all the work is done by the Women's Land Army, which is recruited entirely from cities and towns.

Machinery is rationed and, for maximum efficiency, many county committees own and operate tractors on a custom basis. The Northumberland county committee owns and operates more than 500 tractors.

But the blackout is perhaps the greatest single handicap British farmers have. Most of Britain is farther north than Maine, and the winter nights are long. Every barn and shed is completely blacked out and a farmer may not even carry a lantern while doing chores in the darkness of his long working day.

### **Large Post-War Production**

What about after the war? Will this increased production be maintained?

The Minister of Agriculture said this summer: "The Government has decided to guarantee to producers of milk, fat cattle, calves, sheep and lambs an assured market for their

whole output of milk and meat during the four years up to the summer of 1948 at price levels not less than those at present prevailing. It is designed to encourage farmers to produce the increased quantity of milk that is likely to be required in the next four years. \* \* \*

The Minister of Food recently said: "We must produce at home as much of these products as we can. I want to see the milk-in-schools scheme continued, and I want to be able to discontinue milk rationing as soon as possible after the war. I want also to get rid of meat rationing as soon as possible after the war. To do that, we must increase our meat herds and our sheep flocks here. \* \* \* We shall still want large cereal crops; we shall still want large potato crops and we shall still want large crops of sugar beets. \* \* \* But, as far as supplies from overseas are concerned, the Committee would like to know that I have started

negotiations for the conclusion of long-term contracts for some of the principal imported foodstuffs. This will enable overseas farmers to plan their production for a period ahead, and will ensure supplies to this country during a difficult period."

A statement of British post-war agriculture was recently adopted by representatives of most of the important farm groups of the country. This statement calls for encouraging mixed farming, for the regulation of production and marketing as proposed in the report of the Hot Springs Conference, and states that in return for a guaranteed price level, all farmers must accept an obligation to maintain a reasonable standard of good husbandry and submit to a necessary measure of direction and guidance.

In brief, British post-war agriculture appears likely to continue on an expanded production basis.

FRANCIS FLOOD, *Office of Foreign Agricultural Relations*

## Post-War Outlook for Oilseeds

**D**URING the past ten years there have been marked changes in the production, processing, and uses of oilseeds and fats and oils. Outstanding has been the growth of the soybean industry. Flaxseed acreage and production recovered from the low level of the drought years to a record high in 1943, then fell back almost half way in 1944. Peanut acreage nearly doubled under the stimulus of wartime demand. Lard output grew from the lowest in 46 years in 1935, when farmers reduced hog production because the drought had burned out feed crops, to the largest on record in the 1943-44 hog marketing season.

### Shifts in Foreign Trade

Our foreign trade in fats and oils has undergone violent fluctuations in the 10-year period. Imports were unusually large in the drought years and were large again in 1941, when

demand in the United States for fats and oils was exceptionally strong. Then in 1942, with the Japanese taking over the Philippines and other great surplus tropical oil-producing areas of the Southwest Pacific, our imports were cut in half. At the same time we undertook to supply the United Kingdom and Russia with large quantities of lard, margarine, shortening, and vegetable oils because they too had been partly deprived of their usual sources of supply by Axis aggression. In 1943 and 1944, the United States has been a net exporter of fats and oils, in contrast to our pre-war position as a net importer of about 1½ billion pounds annually.

In response to the urgent need for fats and oils to fill the gap between requirements and supplies resulting from reduced imports and increased exports, as well as a high level of domestic demand for both food and

industrial uses, farmers expanded acreage of soybeans, flaxseed, and peanuts. They also raised an unprecedented number of hogs, needed for lard as well as pork.

Production of oilseeds in 1943 compared with the 1937-41 average was as follows: Soybeans, 196 million bushels, up 157 percent; flaxseed, 52 million bushels, up 166 percent; peanuts, 2,200 million pounds, up 58 percent. Lard output in the hog marketing year beginning October 1943 is estimated at 3,550 million pounds, 81 percent more than the 1937-41 average. Total output of fats and oils from domestic materials in 1943-44 was about 11.3 billion pounds, 38 percent more than the average for 1937-41.

### **Post-War Demand Less**

The strong wartime demand for fats and oils produced in the United States will not continue indefinitely after the war. On the other hand, our farmers could not continue to produce fats and oils at the level of the past year or two, at least without major readjustments in price relationships between oilcrops on the one hand and wheat, corn, oats, and cotton on the other; or without major readjustments in crop rotations and farming practices. Some decline in output of fats and oils is already certain to occur in 1944-45, as a result of a reduced 1944 pig crop and planted-acreage reductions in soybeans, flaxseed, and peanuts.

Most fats and oils produced in the United States are by-products. This is true of lard, tallow and greases, cottonseed oil, corn oil, and peanut oil, which together accounted for 62 percent of the total output of fats and oils from domestic materials in 1943-44. Butter also is partly a by-product, for in many areas it is produced mainly in the flush season when milk supplies exceed consumption in the main uses. The only major farm products produced primarily for oil are soybeans and flaxseed. Post-war changes in de-

mand and supply for fats and oils will be reflected most directly in output of these two crops. Production of other fats and oils will be determined largely by supply and demand factors for pork, beef, cotton, and various milk products.

Consumption of fats and oils in the United States probably will continue the pre-war upward trend. Annual U. S. consumption in the late 1940's may average 1 to 1.5 billion pounds more than the average of 9.7 billion pounds consumed annually in 1937-41. This additional consumption probably will be supplied through a corresponding increase in domestic output of fats and oils, as net imports of fats and oils are not likely to be any greater for several years following the close of the war than they were in the years immediately before the war. Time will be required to restore livestock production in Europe to the pre-war level, and to bring coconut and palm groves of the Southwest Pacific back to pre-war productivity. Also, the pre-war upward trend in fats and oils consumption in foreign countries may be resumed after the war.

### **Large Soybean Acreage**

Although the acreage of soybeans probably will be considerably larger after the war than before, some decline from the wartime level of 11 million acres harvested for beans seems likely. Many farmers reported that in 1943 they planted a larger acreage of soybeans for harvest as beans than could be continued under good farming practice. On most farms where soybeans are grown, a balance must be struck between soybeans on the one hand and corn and other feed crops and pasture on the other.

A domestic market for an additional 1 to 1.5 billion pounds of oil would be equivalent to an outlet for the oil produced from an additional 6 to 9 million acres of soybeans. From the standpoint of demand for oil, 10 million acres harvested for soybeans in the late 1940's, compared with an average of 4 million acres in 1937-41,



would not appear to be excessive. Competition of corn, oats, wheat, hay crops and pasture for the available land, however, may restrict soybeans to 8 or 9 million acres.

Higher soybean oil and meal prices than before the war are likely to result from the trend toward increased use of solvent-extraction method of processing soybeans. This method obtains a higher yield of oil than the screw-press or "expeller" method, which is at present more widely used. With oil normally priced several times higher per pound than meal, the value of the products obtained per bushel of beans crushed is 7 to 10 percent higher when solvent extraction is used. This means that plants with solvent methods can operate on lower processing margins, and their competition with plants will tend to lower the margins of all processors. There will be surplus soybean-processing capacity after the war and this will tend to enforce competition among mills for soybeans to crush and hence to keep prices for soybeans high in relation to prices of oil and meal.

Recent research has shown that an increase in the percentage of protein in livestock rations increases production and lowers feeding costs. Widespread adoption of recommendations based on these findings would greatly increase the demand for oilseed meal and would tend to increase demand for soybean meal in relation to that for corn.

### **New Uses Developed**

During the war manufacture of soybean flour has been increased several fold. However, the estimated quantity of soybeans used in 1943 to manufacture soybean flour was only 7 million bushels compared with a total crop of 196 million bushels. The Northern Regional Laboratory in Peoria, Illinois, has recently developed two outstanding new industrial substances from soybean oil: Norepol, a type of synthetic rubber, and Norelac, a kind of plastic. There has been no

opportunity to explore the full market potentialities of these products because of the wartime need for soybean oil for edible uses.

Another recent development, retarded by wartime conditions, is a process for dividing soybean oil into a quick-drying fraction, with properties somewhat similar to those of tung oil, and a fraction that is superior for food uses than the original oil. Some experimental work has been done in developing a synthetic fiber from soybean protein, but this has not yet entered the stage of commercial production. A minor outlet for soybean protein, derived from soybean meal, has been afforded for a good many years by use as a glue and as a sizing for paper. To sum up, new uses of soybeans are being investigated and tried out, and some minor industrial uses have become firmly established, but there is no definite promise that uses other than oil, and meal for feed, will develop in the next few years into major markets for soybeans.

### **Increased Flaxseed Output**

Flaxseed acreage and production in the United States after the war probably will return to pre-war levels. With the return of ample ocean transportation, Argentine flaxseed will again be available in large quantities. Demand for linseed and other drying oils may be stronger than before the war. Building activity is expected to rise materially, and general industrial activity also may be at a high level. However, no substantial change in the pre-war price structure for flaxseed seems likely, under which Argentine flaxseed was imported for crushing by Atlantic Coast mills and domestic flaxseed was crushed in mid-West and Pacific Coast mills, with mills at Buffalo crushing sometimes imported and sometimes domestic flaxseed, depending on the current price relationship between the two kinds.

EDGAR L. BURTIS

*Bureau of Agricultural Economics*



## The Cotton Situation

**F**ARMERS of the United States are now in the midst of harvesting and marketing their 1944 cotton crop while State and local agricultural groups and workers in the Department of Agriculture are in the midst of determining what production to recommend these farmers to plan for in 1945. If cotton farmers react as in past years, most of them will to a considerable extent base their plans for the new crop upon their experiences with the crops they are now marketing, modified to some extent by changes prior to planting time next spring. Such factors as the existing supplies of cotton, probable consumption and exports during this and the 1945-46 season, as well as prospective farm labor supplies in the Cotton Belt and probable prices of cotton and alternative agricultural products, should all be taken into account in determining next year's acreage.

### Largest Gross Return

Raw cotton prices have been relatively stable in recent weeks at levels a little above the high 1943 prices, and domestic producers are receiving one of the largest gross returns from cotton since 1929. With the smallest acreage since 1895 and a crop estimated in August at nearly 1½ million bales less than the 10-year (1933-42) average, the gross returns per harvested acre this year may exceed the two previous crops' high returns and be second only to the record per-acre returns of 1919.

In view of increased production costs, the 1944 cotton crop probably will not prove as profitable as that of the two preceding years, but the effect of this on 1945 acreage may be overshadowed by other factors. The 7 percent reduction in the 1944 cotton acreage was probably due in part to a somewhat less profitable crop in 1943 than in 1942, although more influential factors include inadequate supplies of farm labor, unfavorable weather conditions at seeding time, and favorable alternatives requiring less labor.

With a 10½ million running bale crop (11 million 500-pound bales) now in prospect, the indicated 1944-45 world supply of American cotton of just under 22 million running bales is about ¾ million bales less than the total supply for last season, which itself was the smallest since 1936-37. Out of the total carry-over of American cotton of a little over 11 million bales on August 1 this year, all but about ½ million bales were in stock in the United States, something over 6 million bales of which were Government financed stocks. This made the third consecutive year in which total stocks of American cotton in the United States amounted to approximately 10½ million bales with Government financed stocks representing about 4½ to 6 million bales.

For the year ended July 31, 1944, the world consumption of American cotton totaled less than 11½ million bales, approximately 9.8 million bales of which was consumed in the United States. This is about ¾ million bales smaller than world consumption in each of the two preceding seasons due to a decline in the United States which more than offset a small quantitative, but considerable percentage, increase in foreign countries. Despite very strong civilian and military demands for cotton goods, domestic mill consumption was less than in each of the two preceding seasons by a little over 1 million bales. It is highly significant, however, that domestic mills still consumed more than half again as much cotton as on the average from 1930 to 1939. The decline in 1943-44, compared with the peak war years, is largely attributable to difficulties in maintaining efficient workers and to declining margins.

### U. S. Exports Now Slight

Cotton export statistics for the war period are confidential, but it is well known that because most of the cotton importing countries are under Axis control, foreign shipments of American

cotton have been extremely small during the last 4 years. During the season just past, it is estimated that the total consumption of American cotton outside the United States amounted to only a little over 1½ million bales. While this is between ¼ and ½ million bales larger than the two preceding years, it is nearly 75 percent less than the 1930-39 average. Except for the shortage of ocean shipping facilities and with the existing United States loan policy, exports and foreign consumption of American cotton might have completely vanished. The reasons for this are obviously of great significance, for it may not be many more months until there will be an adequate supply of ocean shipping and, according to existing legislation, Government loans of 92½ percent of parity are mandatory for at least 2 full years after the war.

Before the mills in the Axis controlled areas were isolated from the important cotton exporting countries, annual average (1934-38) commercial production of foreign cotton was only about 5¼ million bales less than total annual foreign mill consumption. Since the areas which have been under Axis control were on the average consuming about 10½ million bales per year, the isolation of these markets has resulted in a large accumulation of supplies of foreign cotton despite some reduction in foreign production and increased consumption elsewhere. In view of the greatly restricted export outlets, foreign exporting countries, such as Brazil, India, Egypt, Argentina, and Peru, could have supplied all accessible markets and still would have accumulated large stocks of raw cotton even if no American cotton had been exported.

### **World Carry-Over Large**

As of August 1, 1944, the world carry-over of foreign grown cotton was estimated in excess of 14¾ million bales which is almost twice as large as for August 1, 1939. Furthermore, even if the production of foreign

cotton for the current season is no larger than in 1942, the smallest crop since 1934, production probably will again exceed consumption of this cotton and may increase the carry-over by another million bales or more. In view of the large excess supply of foreign cotton together with the scarcity both of import markets and shipping space, cotton prices in Sao Paulo, Brazil, have been 6½ to 11¼ cents per pound lower than prices of approximately similar cotton in New Orleans, which have been supported by Government loans and by limited imports into the United States (as a result of import quotas and lack of shipping facilities). For sometime prior to the war the price at Sao Paulo averaged slightly higher than the price at New Orleans. With adequate shipping facilities, foreign manufacturers obviously would have used the cheaper foreign growths instead of American. This would have reduced the disparity between domestic and foreign cotton, but only to a limited extent in view of the excess supplies of foreign cotton and assuming no change in the domestic loan rates.

### **Exports and Subsidies**

Until shipping facilities become much more plentiful, American cotton can and will be exported, in at least small quantities, without being subsidized. From a longer time standpoint one of the most important questions is the extent to which American cotton can be exported (without subsidies) after adequate ocean shipping becomes available. This will depend (assuming continuation of high Government loan rates in the United States) upon whether or not cotton prices in foreign countries advance sufficiently to eliminate the disparity between prices in those countries and in the United States. This, in turn, would largely depend upon the world consumption of cotton in relation to world supplies.

Even after all the mills of Europe

and the Orient are accessible, it is by no means certain that the total world consumption of cotton will average as high as immediately before the war. There is still more uncertainty as to whether consumption will average as high in relation to world supply as from 1934-38, for since that time the world supplies of cotton have increased and the world production of rayon probably has already increased by the equivalent of at least 5 million bales of cotton (assuming 425 pounds of rayon equivalent to 1 bale of cotton) and further increases are likely. In 1944-45 world supplies of all cotton now seem likely to exceed the 1934-38 average by 2 or 3 million bales despite a reduced American cotton supply.

With the world divided into a number of separate markets, it is impossible to determine what the present prices now existing in a given locality would be equivalent to in a market as

nearly on a "world basis" as that existing from 1934-38. It is highly significant, however, that in those pre-war years—when annual world supplies of cotton were smaller than at present and consumption some 3 or 4 million bales larger—the basic quality of American and Brazilian cotton on a "world basis" averaged between 11 and 12 cents per pound. These prices compare with a domestic price for American cotton in August this year of about 21 cents and a price at Sao Paulo, Brazil, of a little over 13 cents. Assuming the world demand does not prove adequate to eliminate the price disparities, some means must be found for making the export price of American cotton competitive with foreign growths, otherwise, the foreign market for U. S. cotton—which from 1934-38 averaged 5 million bales per year—would be lost.

MAURICE R. COOPER  
*Bureau of Agricultural Economics*

## Farmers and the New Income Tax Law

**J**UST how will farmers be affected by the Individual Income Tax Act of 1944? This new law, passed in response to great clamor for income tax simplification, gives particular attention to the computation of tax liability and to the nature and timing of reports.

The first step for the farmer still is to determine the amount of income he as an individual has received during the year, a problem not affected in any material way by the new law. Regardless of the forms and the regulations of the Bureau of Internal Revenue, the farmer himself must assemble the basic financial information about his business and establish the amount of the net profit.

The new law may increase the number of farmers who must report their incomes as every individual who has a gross income of \$500 or more must now file a return. No distinction is made because of marital status, as has been

done in the past. Also under the new law the earnings of minor children are considered part of the gross income of the child even though the wages are actually received by the parent. And a child with more than \$500 gross income must file a return or have one filed on his behalf.

Two kinds of reports—declarations of estimated tax and tax returns—are still required but the rules regarding them have been changed. A declaration of estimated tax is required of a farmer whose gross income is \$500 or more. The general rule is that a declaration is required in cases where it is reasonable to expect (1) an income in excess of \$100 from sources not subject to withholdings and a gross income of \$500 or more, or (2) an income subject to withholdings in excess of the sum of \$5,000 plus \$500 for the spouse and \$500 for each dependent.



For taxpayers generally, declarations must be filed on or before March 15 of the current year, and payment may be made in four installments which are due March 15, June 15, and September 15 of the current year, and January 15 of the following year. Special provision is made for those who get at least two-thirds of their gross income from farming. Farmers who are in this class may wait until January 15 of the following year to file a declaration. In this case the full amount of the estimated tax must be paid at that time.

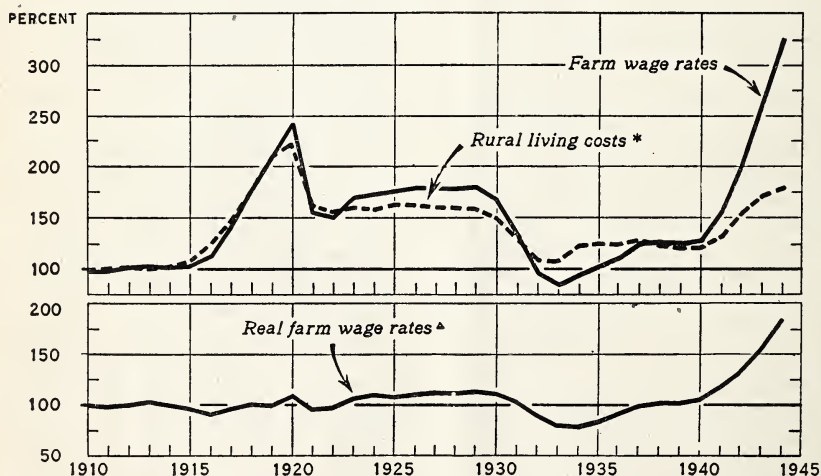
Final returns and final payments for a given taxable year are still due on or before March 15 of the following year. Farmers who are in a position to do so, however, may file final returns by January 15 and thereby avoid the need for filing a declaration of estimated tax. Taxpayers whose "adjusted gross income" is less than \$5,000 will have a new "short form" on which they can determine their tax by reference to a tax table. Tax-

payers who are not eligible to use the tax table or for whom the short form is disadvantageous will have to compute the tax amount, but they will probably use a much simpler form than in the past.

"Adjusted gross income" is a new concept. It is, in effect, an individual's personal gross income after deducting all business expenses. For a typical farmer it would consist of the net profit from his farm business, plus the net profit from other business activity, plus any other personal income. As only business deductions are permitted in determining adjusted gross income, farmers need to separate items clearly which may be partly business and partly personal. Taxes and interest, for example, can be deducted, when computing adjusted gross income, only to the extent that they are directly related to the farm business. Individual taxpayers may choose either to list actual amounts of personal deductions or to take an optional standard deduction.

### FARM WAGE RATES, RURAL LIVING COSTS, AND REAL FARM WAGE RATES, UNITED STATES, 1910-44

INDEX NUMBERS (1910-14=100)



\* PRICES PAID BY FARMERS FOR COMMODITIES USED IN LIVING  
 ^ WAGE RATES DIVIDED BY RURAL LIVING COSTS  
 DATA FOR 1944 ARE PRELIMINARY ESTIMATES



The new tax table for the "short form" is set up to permit its use by any taxpayer whose adjusted gross income is less than \$5,000. The amount of tax reflects a standard deduction of 10 percent of adjusted gross income, which is in lieu of any other nonbusiness deductions or credits.<sup>1</sup> Taxpayers who cannot use the tax table, because their adjusted gross income is \$5,000 or more, may take a standard deduction of \$500 in lieu of listing the actual amounts. Of course, any taxpayer who chooses to compute his own tax may itemize his various nonbusiness deductions and credits, much as at present. This would be advantageous only for those whose deductions are in excess of 10 percent of their adjusted gross income.

### Exemption Scheme Changed

The scheme of personal exemptions has been changed to provide for a straight per capita basis. For surtax purposes a taxpayer is allowed an exemption of \$500 for himself, \$500 for his wife, and \$500 for each dependent. For normal tax purposes each taxpayer gets an exemption of \$500, regardless of marital status or number of dependents. On a joint return the normal tax exemption is limited much as was the specific exemption under the victory tax. That is, the amount which may be claimed is \$1,000, unless the adjusted gross income of one spouse is less than \$500, in which case the exemption is limited to \$500 plus the adjusted gross income of the spouse with the smaller income.

The definition of dependency has been rewritten to eliminate the tests of age and capacity for self-support and to provide instead that dependency can be claimed for any person of certain specified close relationship who receives more than half his support from the taxpayer. Further pro-

<sup>1</sup> The Revenue Act of 1943 (enacted in early 1944) does not provide for the deduction of Federal excise taxes except when paid as a business expense. The same law also eliminated the earned-income credit.

vision is made that a dependency exemption cannot be claimed for any individual who has a gross income of \$500 or more, because such an individual must file a return of his own.

Those who compute their tax without reference to the simplified tax table will find the victory tax has been eliminated but the normal tax has been changed to make it very similar to the old victory tax. A new schedule of surtax rates has been provided which, in most brackets, merely combines the old normal and surtax rates.

It is obvious that many of the complexities which bothered taxpayers in the past will be eliminated from income tax reporting. But it is also obvious that there are certain things which cannot be simplified by law or by regulation. When there is a tax which is based on income, it is necessary for the taxpayer, especially if self-employed, to provide a demonstration of some sort as to the amount of that income. A wage or salary earner can depend upon his employer to furnish him with a statement of earnings. But a self-employed taxpayer, such as a farmer, must take the responsibility himself for having available for income tax reporting the basic financial information about his business operations.

GERHARD J. ISAAC  
*Bureau of Agricultural Economics*

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*Current Developments in the Farm Real Estate Market.* Processed. 6 pp. Bureau of Agricultural Economics. Washington. July 1944.

Upward movement in farm real estate values continues. Volume of sales highest of record. Basic forces stimulating advance are favorable farm commodity price and income levels and growing accumulations of funds available for land purchase.

*Farm Real Estate Taxes in 1943.* Processed. 3 pp. Bureau of Agricultural Economics. Washington. July 1944.

Little change in farm real estate taxes in 1943 as against 1942. Future trends to be determined in part by relative importance of property taxes in State and local tax systems; in part by extent and cost of services provided by these governments.

# Economic Trends Affecting Agriculture

Year and month	Industrial production (1935-39 =100) <sup>1</sup>	Income of industrial workers (1935-39 =100) <sup>2</sup>	1910-14=100				Index of prices received by farmers (August 1909-July 1914=100)			
			Wholesale prices of all commodities <sup>3</sup>	Prices paid by farmers		Farm wage rates	Livestock and products			
				Com-modities	Com-modities interest and taxes		Dairy products	Poul-try and eggs	Meat animals	All live-stock
1934-----	75	76	109	122	128	95	101	89	70	84
1935-----	87	86	117	125	129	103	114	116	116	115
1936-----	103	100	118	124	128	111	125	114	118	120
1937-----	113	117	126	131	133	126	130	110	132	127
1938-----	89	91	115	123	126	125	114	108	115	113
1939-----	109	105	113	121	124	123	110	95	112	108
1940-----	125	119	115	122	125	126	119	96	111	112
1941-----	162	169	127	131	132	154	139	121	146	140
1942-----	199	238	144	152	150	201	162	151	188	173
1943-----	239	305	151	167	162	264	193	190	209	200
1943—August-----	242	312	151	169	164	-----	192	192	208	200
September-----	245	315	151	169	164	-----	195	201	208	203
October-----	247	317	150	170	165	280	198	212	204	204
November-----	247	318	150	171	166	-----	202	219	193	201
December-----	241	316	151	173	167	-----	203	212	194	200
1944—January-----	243	319	151	174	168	275	201	177	194	193
February-----	244	321	151	175	169	-----	201	168	199	194
March-----	241	318	152	175	169	-----	199	162	203	194
April-----	239	313	152	175	169	292	196	151	203	191
May-----	237	313	152	175	169	-----	194	153	201	190
June-----	235	314	152	176	170	-----	192	154	200	189
July-----	233	-----	152	176	170	328	194	165	197	190
August-----	-----	-----	-----	176	170	-----	196	171	201	194

Year and Month	Index of prices received by farmers (August 1909-July 1914=100)								Parity ratio <sup>5</sup>	
	Crops							All crops and live-stock		
	Food grains	Feed grains and hay	Tobacco	Cotton	Oil bearing crops	Fruit	Truck crops			All crops
1934-----	91	95	159	97	95	88	95	98	90	70
1935-----	97	107	174	94	120	82	119	102	109	84
1936-----	108	102	165	95	112	92	104	107	114	89
1937-----	120	125	204	90	120	104	110	115	122	92
1938-----	75	71	176	67	88	70	88	80	97	77
1939-----	72	69	155	70	90	68	91	80	95	77
1940-----	84	82	136	77	96	73	111	88	100	80
1941-----	97	89	159	107	130	85	129	106	124	94
1942-----	120	111	252	149	172	114	163	142	159	106
1943-----	148	147	325	160	190	179	245	183	192	119
1943--August-----	147	152	326	160	196	202	186	183	192	117
September-----	150	156	315	163	199	205	180	182	193	118
October-----	157	158	335	164	201	195	187	183	194	118
November-----	160	158	347	156	202	196	228	187	194	117
December-----	166	165	349	160	202	208	223	192	196	117
1944--January-----	170	168	350	162	203	204	267	199	196	117
February-----	170	169	348	161	205	206	247	196	195	115
March-----	169	171	351	161	207	215	242	198	196	116
April-----	171	172	253	163	207	237	220	200	196	116
May-----	170	173	350	160	208	232	225	198	194	115
June-----	165	170	350	163	210	228	231	197	193	114
July-----	161	168	350	164	209	230	195	194	192	113
August-----	156	166	355	162	209	214	186	191	193	114

<sup>1</sup> Federal Reserve Board, adjusted for seasonal variation, revised November 1943.

<sup>2</sup> Total Income, adjusted for seasonal variation, revised March 1943.

<sup>3</sup> Bureau of Labor Statistics.

<sup>4</sup> Revised.

<sup>5</sup> Ratio of prices received by farmers to prices paid, interest and taxes.

NOTE.—The index numbers of industrial production and of industrial workers' income, shown above are not comparable in several respects. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is intended to measure volume, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and workers' income since output can be increased or decreased to some extent without much change in the number of workers.